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April 23, 2007

57739-000020

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: WT Docket No. 06-150 (Service Rules for the 700 MHz commercial bands)

Dear Ms. Dortch:

MetroPCS Communications, Inc. (“MetroPCS”), by its attorneys, submits this *ex parte* presentation pursuant to Section 1.1206 of the Commission’s rules to respond to certain assertions made by Peter Cramton’ in an attachment to Verizon Wireless’ April 17, 2007 *ex parte* letter to the Commission? In his analysis, Cramton attempts to provide support for maintaining large geographic license sizes for the upcoming auction of 700 MHz spectrum. However, he neglects to consider the history of the industry and the various substantial arguments that weigh against the Commission maintaining too many large geographic license sizes, and in favor of small license sizes for the upcoming auction of 700 MHz spectrum.

Cramton opens his paper with the claim that the wireless industry in the U.S. has “a nationwide structure.”³ In truth, the Commission repeatedly has held that the market for wireless services is a regional, or local market - - not a national one. In recent merger analysis, the Commission has held that “the relevant geographic market for analyzing the competitive effect of [mobile wireless services transactions] is local. . . this finding is based on the observation that consumers obtain their wireless service in a local areas, not on a national basis.”⁴ Thus, it is clear that competition for wireless services occurs at the local market, not at the nationwide level, as Cramton suggests. This being the case, it would be unwise for the Commission to adopt a band plan that is too heavily skewed toward large licenses.

¹ ‘Why Large Licenses are Best for the 700 MHz Spectrum Auction,’ Peter Cramton, April 17, 2007 (“Cramton Paper”)

² Letter from Charla M. Rath to Marlene H. Dortch, Commission Secretary, filed April 17, 2007 (“Verizon *Ex Parte*”).

³ Cramton Paper at 1.

⁴ *Applications of Midwest Wireless Holdings, L.L.C., and ALLTEL Communications, Inc. For Consent to Transfer Control of Licenses and Authorizations*, Memorandum Opinion and Order, FCC 06-146, WT Docket No. 05-339 at para. 28 (rel. Oct. 2, 2006).

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In his paper, Cramton expresses concerns over the costs to incumbent licensees of aggregating licenses in adjoining territories.⁵ However, Cramton fails to acknowledge that, by using larger license sizes, the Commission effectively would be selecting winners and losers prior to the auction. For example, Cramton claims that the process by which each of the major wireless carriers had to aggregate their current license holdings into nationwide networks was highly inefficient: But, if the Commission originally had granted regional or nationwide cellular licenses, it may have foreclosed from participation some of the industry pioneers (e.g., Craig McGaw, John Stanton) who deserve credit in the formative years for helping the U.S. broadband industry become innovative and competitive. Indeed, **two** of the current nationwide service providers (AT&T Wireless and T-Mobile) ~~find~~ their origins in entrepreneurial companies formed by these industry pioneers. And the national networks that AT&T Wireless and T-Mobile assembled over time using a strategic building blocks approach might never have developed had the initial license areas been oversized. Cramton has the benefit of seeing what occurred and assumes that the same outcome would have transpired more quickly and efficiently had bigger license areas been offered at the outset, which simply is not the case.

Cramton also errs in concluding that, since most of the winners of spectrum in the advanced wireless services (“AWS”) auction were incumbents, the license areas for the 700MHz spectrum now should mirror the incumbents’ current holdings.⁶ This assertion ignores the fact that incumbents do not have uniform spectrum holdings, or uniform customer acceptance and penetration, nationwide. The large national carriers may need to add spectrum in select areas rather than bidding for licenses that fit exactly over their entire current footprint.* Cramton does not address the cost to the wireless industry (and eventually, to consumers) which would result from auction winners having to purchase more territory or spectrum than they actually need – or paying a greater amount than is necessarily to get what they want. Indeed, the stranded cost for unneeded spectrum would cause consumer prices to rise and make it more difficult for these carriers to raise funds.

Even more importantly, Cramton does not address the importance of new entry, and the benefits that this new entry **will** bring to the public. The Commission should not accept Cramton’s invitation to lock in the current market structure by mirroring incumbents’ current holdings. Having regional and nationwide licenses would facilitate efforts by the incumbents to keep new entrants out by raising the costs for newcomers to acquire licenses. When Cramton’s argument is taken to its extreme, the marketplace looks like a comfortable four-party oligopoly – rather than an evolving market with robust competition. New entrants have caused the industry to become more competitive and have driven down prices. Just as the entry of the digital PCS carriers stimulated competition, the licensees obtaining licenses in the AWS and 700MHz auction **will** stimulate competition both on prices and on services.

⁵ Cramton Paper at 9, 13-14

⁶ *Id.* at 2-6.

⁷ Cramton Paper at 11-13.

⁸ MetroPCS notes, for example, that T-Mobile, a nationwide incumbent, supports a band plan with smaller spectrum **blocks** and areas.

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Kindly refer any questions in connection with this letter to the undersigned.

Respectfully submitted,

/s/ Carl W. Northrop

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